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Message Text

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22
ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

SAM-01 OES-06 SP-02 SS-15 STR-04 TRSE-00 PA-01 PRS-01

/095 W
---------- 060894
R 221631Z APR 76
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 9859
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L QUITO 2922

E.O. 11652: GDS
TAGS: ENRG, PFOR, EC
SUBJECT: GOE DENIES "WASHINGTON STAR" ARTICLE RE POSSIBLE ROMANIAN OIL ROLE

1. SUMMARY: IN WAKE OF A LOCAL REPLAY OF "WASHINGTON STAR'S" O'LEARY ARTICLE, SUBSECRETARY OF FOREIGN AFFAIRS AYALA TOLD POLITICAL COUNSELOR THAT THE ARTICLE'S ASSERTIONS RE POSSIBLE ROMANIAN OIL ROLE WERE GROUNDLESS, AND ASKED IF THE DEPARTMENT OF STATE WAS RESPONSIBLE FOR THE STORY. A SPOKESMAN FROM THE MINISTRY OF NATURAL RESOURCES DENIED THAT CEPE HAD FORMED A MIXED COMPANY TO PRESSURE COMPANIES NOW OPERATING IN THE COUNTRY. END SUMMARY.

2. DURING A VISIT OF POLCOUNS TO FOREIGN MINISTRY ON APRIL 20 FOR APPOINTMENTS WITH MINISTRY OFFICIALS ON OTHER SUBJECTS, THE SUBSECRETARY FOR FOREIGN AFFAIRS, JOSE AYALA LASSO, SUMMONED POLCOUNS TO HIS OFFICE TO DISCUSS THE O'LEARY ARTICLE (WHICH HAD BEEN REPRINTED IN "EL UNIVERSO" AND "EL COMERCIO"). THE SUBSECRETARY STATED HE KNEW O'LEARY WAS VERY WELL-CONNECTED WITH STATE DEPARTMENT OFFICIALS, AND ASKED POLCOUNS IF
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DEPARTMENT HAD BEEN SOURCE OF THE STORY. POLCOUNS REPLIED

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THAT EMBASSY WAS AS MYSTIFIED BY O'LEARY'S ASSERTIONS AS WAS THE FOREIGN MINISTRY, AND THAT THE CHARGE HAD SENT A CABLE TO WASHINGTON CONFIRMING THAT THE CONTENT OF THE STORY DID NOT REFLECT EMBASSY REPORTING NOR THE EMBASSY'S UNDERSTANDING OF THE SITUATION. POLCOUNS ADDED THAT EMBASSY'S ROLE IN NEGOTIATIONS BETWEEN THE OIL COMPANIES AND GOE IS STRICTLY MARGINAL, THAT THE EMBASSY WAS NOT PRIVY TO ALL THAT TRANSPIRED IN NEGOTIATIONS, AND THAT IN ANY CASE THE EMBASSY HAD NO INFORMATION TO SUBSTANTIATE THE O'LEARY STORY.

3. SUBSECRETARY AYALA EMPHASIZED THAT THE STORY WAS WITHOUT FOUNDATION AND SAID IT COULD BE PREJUDICIAL TO THE DELICATE NEGOTIATIONS IN PROGRESS BETWEEN THE COMPANIES AND THE GOE. HE SAID HE HOPED THE STORY WOULD NOT HAVE A DETRIMENTAL EFFECT. THE GOE REALIZES THAT AS A SMALL POWER, AYALA SAID, THREATS ARE NOT A VIABLE TACTIC WITH THE POWERFUL OIL COMPANIES OR THE U.S. HE REPEATED THAT THE STORY WAS WITHOUT BASIS.

4. A SPOKESMAN FROM THE MINISTRY OF NATURAL RESOURCES DENIED PUBLICLY AND CATEGORICALLY THAT THE GOE PLANS TO USE ITS RELATIONSHIP WITH ROMANIA TO PRESSURE "FOREIGN COMPANIES NOW OPERATING IN ECUADOR," AS O'LEARY'S ARTICLE CLAIMED. THE GOE'S DENIAL OF APRIL 21 WAS CARRIED AS THE LEAD ARTICLE IN "EL COMERCIO" OF QUITO AND "EL TELEGRAFO" OF GUAYAQUIL.

5. THE MINISTRY PRESS RELEASE DESCRIBED IN RATHER CONFUSING TERMS THE PRESENT CONTRACTUAL RELATIONSHIPS BETWEEN CEPE AND ROMEPETROL. THE ARTICLE STATED THAT THIS RELATIONSHIP IS BASED ON A GENERAL AGREEMENT SIGNED IN SEPTEMBER 1973, TO PROVIDE ASSISTANCE IN PETROCHEMICALS, AGROINDUSTRY, AND MINERALS DEVELOPMENT. ACCORDING TO THE ARTICLE, CEPE AND ROMEPETROL ARE PLANNING AT SOME FUTURE DATE TO ESTABLISH A JOINT DRILLING COMPANY AND HAVE ALREADY ESTABLISHED A MIXED COMPANY IN JUNE 1975, IN BUCHAREST CAPITALIZED AT $650,000. CEPE HOLDS 51 PERCENT OF THE CASH STOCK IN THE MIXED COMPANY; AND THE ROMANIANS

WILL SUPPLY SOME $316,000 IN TOOLS AND MACHINERY.

6. "EL TELEGRAFO" REPORTED THAT NO REACTION WAS FORTHCOMING FROM THE GOE SUPREME COUNCIL AND EFFORTS TO SPEAK TO THE CONFIDENTIAL

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SECRETARY GENERAL OF ADMINISTRATION PROVED FUTILE. THE ARTICLE QUOTED "ROMANIAN DIPLOMATIC SOURCES IN QUITO" AS SAYING THAT THE STORY FROM THE "WASHINGTON STAR" WAS WITHOUT FOUNDATION AND THE AGREEMENTS BETWEEN THE GOE AND ROMANIA PROVIDED ONLY FOR TECHNICAL ASSISTANCE AND TRAINING OF PERSONNEL. IN A SEPARATE EDITORIAL BY EDUARDO AROSEMENA OF "EL TELEGRAFO," HE CRITICIZED THE REPORTED ROMANIAN AGREEMENT IN HARSH TERMS, AND ADDED: "ON THE ONE HAND, IT WOULD BE AN

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ABSURDITY, COMPLETELY SENSELESS, TO CONSIDER NATIONALIZING OUR PETROLEUM WHEN WE ARE STILL AT THE STARTING GATE IN TERMS OF PETROLEUM PRODUCTION. ON THE OTHER HAND, TO TURN OVER THE CONTROL OF A VITAL PRODUCT SUCH AS OIL TO A SOCIALIST COUNTRY WOULD PLACE US--AS UNNECESSARY AS IT IS STUPID--IN A WORSE SITUATION THAN THAT OF PERU, IN THE EYES OF THE WESTERN POWERS."

7. THE LEAD EDITORIAL IN QUITO'S EL COMERCIO ON APRIL 22 DISCUSSED THE ISSUE IN TERMS OF RIVALRIES BETWEEN THE UNITED STATES AND THE SOVIET UNION: "THE PLANS OF THE UNITED STATES, ON THE ONE HAND, AND OF THE SOVIET UNION, ON THE OTHER, MUST NOT DESTROY THE SOVEREIGNTY OF THE PEOPLE, ESPECIALLY THOSE ON THE WAY TOWARD DEVELOPMENT. IT MUST NOT BE ON OUR GROUND WHERE THE ECONOMIC AND POLITICAL INTERESTS OF THOSE WHO ASPIRE TO-WARD WORLD DOMINATION COME INTO PLAY."

8. COMMENT: OFFICIALS OF TEXACO AND GULF HAVE NEVER EXPRESSED ANY PARTICULAR CONCERN ABOUT THE ROLE OF ROMANIA IN THE ECUA-DOREAN OIL PICTURE. ON THE CONTRARY, THEY HAVE ECHOED OUR OWN VIEWS THAT THE ROMANIANS ARE BEING CAUTIOUS IN PROCEEDING TO ACTIVATE THEIR AGREEMENT WITH ECUADOR. A PRELIMINARY AGREE-MENT BETWEEN THE GOE AND ROMANIA WAS SIGNED BY FORMER MINISTER OF NATURAL RESOURCES SALAZAR WHEN HE ACCOMPANIED FORMER PRESI-DENT RODRIGUEZ LARA TO ROMANIA IN MARCH 1975. THE AGREEMENT WAS VERY GENERAL AND PROVIDED FOR COOPERATION IN THE PETROLEUM FIELD. PLANS FOR ESTABLISHMENT OF JOINT VENTURES HAVE LAGGED CONSIDERABLY. THE ROMANIANS HAVE NOT BEEN PARTICULARLY ACTIVE. ROMEPETROL HAS ASSIGNED SEVERAL WELL-QUALIFIED ADVISERS TO CEPE WHO HAVE LITTLE POLICY INPUT, AND MINISTER OF NATURAL RESOURCES VARGAS, AS HEAD OF CEPE LAST YEAR, DID CONTRACT FOR ONE ROMANIAN RIG, BUT AVAILABLE SCANTY INFORMATION INDICATES THAT THE RIG, UPON ARRIVAL, WAS FOUND TO BE TOO HEAVY FOR USE
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IN ECUADOR'S JUNGLES. IF IN FACT ROMEPETROL HAS SUBMITTED A PLAN FOR RUNNING THE ENTIRE ECUADOREANPETROLEUM INDUSTRY, IT HAS APPARENTLY NOT BEEN GIVEN SERIOUS CONSIDERATION BY MINISTRY OFFICIALS. EVEN MINISTER VARGAS' NATIONALIZATION PLAN ENVISAGES THAT TEXACO-GULF WOULD REMAIN AS, IN EFFECT, THE MANAGERIAL CONSULTANTS IN THE OPERATIONS NOW RUN BY THE CONSORTIUM.
HEMENWAY

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